

Message Text

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44

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 OPIC-06 XMB-04 AEC-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00

FRB-01 PA-02 PRS-01 USIA-15 NEA-09 /137 W

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R 071043Z JAN 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8856

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONGEN MILAN

AMCONGEN NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS ROME 0123

C O R R E C T E D COPY (PARAS RENUMBERED 2 VICE 3)

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: CARLI CRITICIZES U.S. RECYCLING PROPOSAL

1. MILAN FINANCIAL DAILY "24 ORE" ON JANUARY 5 REPORTS
ON INTEVIEW WITH BANK OF ITALY GOVERNOR GUIDO CARLI PUBLISHED
IN FINANCIAL LETTER OF WEEKLY NEWS MAGAZINE "L'ESPRESSO".

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CARLI IS QUOTED AS SAYING, BEGIN QUOTE AMERICAN STRATEGY

SEEMS TO BE AIMED AT PROGRESSIVELY CLOSING OFF ALL INVESTMENT OUTLETS EXCEPT FOR US TREASURY BILLS. KISSINGER'S POLICY FOR FORCING THE PRODUCING COUNTRIES TO ACCUMULATE PAPER ASSETS (INCLUDING DOLLARS) WHICH THEY ARE UNABLE TO SPEND AND TO CONVERT THEM IN THE FUTURE INTO REAL RESOURCES IS PUT INTO QUESTION BY THE PERSISTENCE OF INFLATION. THE FINAL RESULT IS SUPPOSED TO BE A SUBSTANTIAL REDUCTION IN THE PRICE OF OIL AND, THEREFORE, A NEW EQUILIBRIUM IS TO BE ACHIEVED, PERHAPS AFTER A PERIOD OF HARD LINE CONFRONTATION LIASING SEVERAL YEARS. ALSO, THE KISSINGER PLAN PROVIDES FOR THE APPROPRIATION OF CONSIDERABLE SUM OF DLR 25 BILLION TO BE ADMINISTERED BY AN INTERNATIONAL INSTITUTION WITH WHICH TO FINANCE OIL DEFICITS OF THE INDUSTRIAL COUNTRIES. END QUOTE.

2. CARLI DOES NOT SHARE AMERICAN FAITH IN THIS PLAN, ASKING, QUOTE WHAT ASSURES US THAT THE REACTION OF THE PRODUCERS, IN THE END, WILL BE TO REDUCE THE PRICE OF CRUDE? ANOTHER REACTION, EQUALLY LOGICAL, WOULD BE TO REDUCE THE AMOUNT OF OIL PRODUCED. END QUOTE. CARLI ADDS QUOTE WE CANNOT WAIT FOR MONTHS AND MONTHS WHILE THE DLR 25 BILLION FUND IS CREATED AND THE OPERATING PROCEDURES FOR THIS NEW MECHANISM ARE ESTABLISHED. END QUOTE. VOLPE

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